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Management News

BUSINESS CONDITIONS & FORECASTS

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TRENDS IN BUSINESS

GENERAL OUTLOOK

Uncertainty over prices mars an economic scene which is otherwise extremely promising. Employment has reached a new postwar high; production is on the increase; and business failures remain at the negligible figures of the war period.

It is undeniable, however, that prices are rising faster than seems healthy. The BLS index of 28 spot commodity prices, which stood at 198.3 on June 29, reached 248.9 on July 16, with farm products up from 256.5 to 316.7 and industrial products up from 179.1 to 213.3.

Consumers have so far felt the increase mostly in the rising cost of food, since retail stores, in the main, are selling off goods on hand at or near ceiling prices. But when inventories are replaced, it may be a different story.

The main danger at present is a new round of wage demands from organized labor, with possible further stoppages of production, just as it is beginning to show signs of expansion.

A further hazard is a possible drying up of demand. This could occur, as *Business Week* points out, not as a result of organized buyers' strikes, but merely because large groups of lower-income families are priced out of the market.

PRODUCTION

Industrial production rose rapidly in June as the effects of the coal and steel strikes wore off, and it is probable that the advance is continuing this month.

Automobile production (cars and trucks) reached 72,995 in the latest week for which figures are available, compared with 45,175 in the preceding week, and 16,500 in the corresponding week of 1945. For the first six months

More Creative Personnel Work

THE most dynamic element that management deals with is its people; any personnel job, no matter how low in the organization scale, is essentially a creative one, requiring the highest type of foresight and imagination.

Yet one sees reflected in the attitudes of many industrial relations executives something that almost approaches an anxiety to conform to pattern—a pattern dictated by majority custom. These executives take the easy path in selecting a procedure: They study results of a survey which they have made, or which some agency has made for them, and then do “what everyone else seems to favor.”

MINORITY MAY BE RIGHT

That this attitude is illogical is apparent on the face of it. The fact that 50 companies follow one procedure while 100 follow another does not prove that the second procedure is superior. The *best* practice may be that used by the minority, or even that adopted by one or two isolated companies which are ahead of all the rest.

There is constant resistance to standard practice in dealing with labor unions, to industry-wide contracts and other devices for enforcing uniformity; yet in matters on which personnel administration has a freer hand—training, employee services, job evaluation, etc.—many personnel directors are not only willing but definitely eager to follow the precedents that seem to be the most popular.

EXPERIMENTAL WORK

That is not creative work. What the field of industrial relations needs most

badly is experiment, even though some of the efforts result in failure. An occasional failure will not be so costly as allowing new problems to multiply while waiting for the “majority of companies” to adopt the solution.

When shopping it is always well to compare values, but the wise shopper's choice is not always dictated by popular demand. By all means, study the procedures of other companies, especially the *methods* that are employed and the *results* that are being obtained. Then, where borrowing is indicated, borrow the best, which is not necessarily synonymous with the most popular. In most cases, moreover, even “the best” must be adapted, custom-built for the particular company.

A FACTOR IN COMPETITION

“Take two competing companies,” said Colby Chester, of General Foods, at an AMA Personnel Conference in 1939.* “They may have equal products, resources, equipment, and competitive relations. Almost invariably it is the one which has good personnel relations that gets ahead.”

That statement is accepted by all personnel men as axiomatic; to deny its truth would be to deny the value of personnel work itself. Yet how many accept the corollary point that the competitive position of the company is as much a matter of concern to the personnel department as it is to production or sales?

The production man does not wait to see “what most other companies are

* See *Personnel Series Number 36*.

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ANV. '50

Trends in Business

(Continued)

of 1946, however, automobile output was barely one third as large as in the first half of 1941.

LABOR AND WAGES

Total employment rose 2.5 per cent in June to 56,740,000, the major portion of the increase occurring in agriculture. Unemployment was up 11 per cent in the same month, mainly because of the end of the school year and the consequent influx of young people into the labor market.

Straight-time hourly wages in manufacturing are now at an all-time high. Textile wages, which are still well below the general average, lead other groups in percentage increase, up 75 per cent since January, 1941.

DISTRIBUTION

More meat and other products have been available to consumers since the price control hiatus, but the improved situation is not considered likely to last, since large supplies were held back during June and then hastily brought to market.

Retail sales continue at record levels; volume in June was about 25 per cent above that of June, 1945. Wholesale trade rose also, dollar volume reaching a figure approximately 20 per cent above last June's. Inventories increased, and there was a general improvement in deliveries.

CONSTRUCTION

Dollar volume of construction is now running at an annual rate of \$11,000,000,000, topping 1941, but the figure must, of course, be corrected for price increases, which have been estimated at 40 per cent or more.

Building permit values for 214 cities outside New York (Dun & Bradstreet figures) totaled nearly \$175,000,000 in June, almost two and a half times the figure for June, 1945. New York permit values (which represent plans filed and not actual permits) registered an advance of 46.3 per cent over last year.

SOURCES:

ALEXANDER HAMILTON INSTITUTE
BROOKMIRE, INC.
BUSINESS WEEK
CLEVELAND TRUST COMPANY
DUN'S REVIEW
FEDERAL RESERVE BANK OF
NEW YORK
NATIONAL CITY BANK

WHAT MANAGERS ARE SAYING

OFFICE MANAGEMENT

I think analysis of the present-day problems of office managers would show that a new kind of thinking, a viewpoint that looks toward "cooperative management," is required.

As an example, we have started a long-range program to meet this objective. In the first place, we have revised our thinking concerning wages and have brought our rates in line with increases given factory workers. Second, we have established job evaluation so that our rates will be on a sound basis. There is, of course, nothing new in this part of our program; the second part is the important part.

The next step will be to publish the descriptions and rate ranges of all jobs, so that all employees can see where they stand and what their possible promotion points are. I believe it has been common practice for companies to establish job evaluation and then proceed to hide it as if it were some deep secret.

The next step—which we have already started—is to publish all openings on our bulletin board, stating the title, nature, and rate range of each position, so that employees may have an opportunity to apply before we go outside seeking new help. The reaction to this has been very favorable.

Fourth, we are considering the appointment of a staff consisting of one member from each major section of the office. This group will meet monthly with the office manager to discuss office regulations before they are put into effect and special problems that may come up from time to time. This staff is not, however, expected to become a grievance committee as the whole emphasis will be placed on constructive work.—*General Office Manager, Metal Company.*

UNION COOPERATION

I liked the little editorial on labor-management cooperation in the June issue of the *Management News*. You have put your finger on a very difficult and important problem. Particularly at the level of the local union, the elected union official is up against continual suspicion that he is "selling out" to management. As he deals with management representatives he inevitably gets a better understanding of company problems, and usually a more sympathetic point of view. However, unless

he can communicate his own greater understanding to the rank and file, he is out of luck when the next election rolls around.

The problem of communication with the labor union local is, I believe, considerably more difficult than the problem of communication between management and employees. Management has better facilities, and is in a stronger position than the elected union official. However, it certainly cannot be said that management has successfully solved the problem of communication with its employees—up to the present time at least.—*Staff Member, University Industrial Relations Section.*

The discussion of labor-management cooperation in the June issue of the *Management News* was especially interesting because it hit at the heart of a grave problem.

Here again, though, I believe part of the blame can be laid at management's doorstep because of its inept public relations. Probably management as a whole has been too busy fighting labor to approach the problem constructively and decide how best to live with labor.

Why doesn't management adopt a policy of commending the unions which are following far-sighted, progressive policies? It would be naive, of course, to assume that this would settle all industrial relations problems, but it is likely that some unions would be influenced, at least to some degree, and that the effect on public opinion would be such as to encourage progress toward better union policies.

It is odd that management, which has recognized the necessity for advertising in selling its products, does not recognize the power of the same medium in promoting a sounder foundation for industrial unity.—*Sales Promotion Manager, Paper Company.*

UPGRADING

I believe there is a distinct trend toward posting notices of all job vacancies on plant bulletin boards.

While I have heard many business leaders state that this policy won't work, our own experience over a five-to six-year period indicates that it is a sound solution to the problem of upgrading and pays big dividends.—*Works Manager, Equipment Manufacturing Plant.*

RESEARCH DEPARTMENT

Salesmen's Traveling Expenses

Salesmen's traveling expenses are receiving increased attention by companies and more thorough methods of control are indicated, a special AMA marketing research report finds.* In part, this is due to reports that the U. S. Treasury is said to have found an increase in amounts deducted by corporations for traveling expenses, particularly in entertainment. If the Treasury feels that the sums allowed were not "ordinary and necessary" or were not used for their avowed purposes, they may be ruled non-allowable deductions. It is also felt that control of traveling expenses is required in order to avoid criticism by the public and ill feeling on the part of other divisions of the firm whose expenses are more closely controlled. Finally, the squeeze between prices and costs and the likely resumption of full competition may require the elimination of extravagant traveling expenditures.

THE RESULTS

In an attempt to discover the best methods of control now in use, the American Management Association sent a questionnaire to about 1,000 companies.

The 92 returns received indicated a considerable increase in the ratio of salesmen's traveling expenses to total sales from 1944 to 1946. Transportation, automobile, and hotel room expenses as a proportion of total traveling expenses declined from 1940 to 1946; the proportion of expenditures on meals and miscellaneous items increased; and entertainment expenses climbed from a little more than 11 per cent of the total to almost 14 per cent.

Of total traveling expenses, the AMA report states, about 12 per cent goes for transportation, excluding automobile expenses; 31 per cent for auto travel; 14 per cent for rooms; 18 per cent for meals; 11 per cent for personal items like tips, valet, laundry, telephone and other miscellany.

CHECKING EXPENSES

The AMA survey made a special point of finding out from members what method or methods they used to check salesmen's traveling expenses. It should be noted that the majority of companies participating in the survey

did not know the over-all figures and details of their salesmen's traveling expenses. Furthermore, the methods and results of controlling them varied greatly in quality and in detail because of the wide variety of problems faced.

Eighty companies specified their methods of control, most of them using two or more:

Method	Percentage
Past records of salesmen	18.8
Personal check by senior executive	18.4
Comparison with other salesmen	16.4
Experience of sales manager	16.4
Fixed auditing standards	9.6
Nature of customers called on ..	9.2
Size and population of city	6.8
Other methods	3.6
Target expense and share of any savings with salesmen	0.8

SOME METHODS

The most thorough method of checking undoubtedly is the establishment of *fixed auditing standards* with which the actual expenses are compared. An *expense budget* is prepared and submitted to the salesman. He may question it if he considers it inadequate. At the end of the period his actual expenses are compared with the standard, and he is asked to explain serious divergencies. But companies obviously must also be apprised of the returns which they are receiving for their outlay. Hence another method of checking has been developed, *comparison of traveling expenses with sales or gross profit margins*. The resulting ratio is helpful in appraising the effectiveness of the outlay and may prove to be embarrassing to the lavish spender. Of course, proper allowance must be made through an analysis of traveling expenditure on individual calls and products, and a number of instances might be found in which a relatively large outlay yields only relatively small results.

Whether the expense budget or ratio to sales or gross profits approach is used, *comparisons of the data* are also necessary for accurate checking. Expenses and sales for the different salesmen, calls, territories, products, etc., might be arranged into "homogeneous" groups for comparison. Reports may be issued weekly or monthly, detailing results for the past week or month, and showing the cumulative total of the year and past years. The expense reports of a salesman might be checked

against his *own* past reports. Comparisons which reveal serious differences may be investigated and followed up. Warnings may be issued and adjustments made only when expenses get seriously out of line. But these detailed methods of checking expenses entail great difficulties in accurately evaluating the factors involved. The cost of checking (direct and indirect) must be weighed against the savings achieved thereby.

A GENERAL EXAMINATION

Even relatively simple comparisons may become time-consuming and expensive. For this reason, many companies require only a *general examination* of traveling expenses by one or several higher executives. The salesman's superior or the sales department at the home office may have to approve the expense reports. An additional approval may be required by the accounting department, which may check for mathematical accuracy, proper inclusion of items, adequate support of data by receipts, etc. Both the immediate sales superior and the accounting department may be required to scrutinize the expense report. In case of excessive expenditures discovered by the accounting department, it will generally be better if the sales rather than the accounting department notifies and warns the salesman.

One advantage of making the general examination is that the sales managers may have an especially thorough knowledge, often based on personal experience, of the actual charges and the type and amount of expenses which should be incurred. The "hunch" may, in many instances, be better than a carefully calculated set of standards.

An over-all control, to be really effective, must be accompanied by a control of its components. For this reason, a number of companies carefully investigate and suggest a range of expenditure on the major items incurred in traveling. Some go so far as to issue a published guide of expenditures, together with suggested routes, means of traveling, hotels, and eating places, so that their men are equipped with a useful travel book. Others publish all or part of this information in salesmen's manuals for ready reference. The very suggestion of individual allowances, even without control, is helpful in giving salesmen an idea of what the company expects of them. The AMA report, therefore, discusses in detail the control of individual expense items.

*Salesmen's Traveling Expenses: Trends and Methods of Control. \$1.00 to members; \$1.50 to non-members.

ACTIVITIES of the AMA

Key Factors in Office Management To Be Analyzed at Fall Conference

Sessions to Deal with Morale, Control, Training, and Compensation

AMA's 1946 Office Management Conference, scheduled for September 19-20 at the Hotel New Yorker, New York City, will be built around four key factors in the office manager's job: morale, control, training, and compensation.

Under the first heading, speakers will discuss such topics as improving the working environment for increased efficiency, psychological elements to be considered, the office as a social structure, and various types of employee benefits.

Under *control*, scheduling and planning, work standardization and simplification, and similar topics will be considered. Sessions on *training* will deal with the orientation of new workers, upgrading to the supervisory level, training of supervisors, etc., while discussion under the general heading of *compensation* will take up various job evaluation systems and their administration, incentives for increased output, merit rating, and wage administration.

I. O. Royse, General Office Manager, Ralston Purina Company, and AMA Vice President for the Office Management Division, is in charge.

AMA Seeking Copies of Office Contracts

AMA is seeking to enlarge its collection of union contracts covering clerical workers, and will be grateful to all companies which will file copies of such agreements at Association headquarters. In any use which is made of this material, names of companies or unions involved will not be mentioned.

Copies should be addressed: Editor, American Management Association, 330 West 42nd Street, New York 18, N. Y.

AMA's Annual Report Will Appear Shortly

AMA's annual report is now on the presses, and will be mailed to members very shortly.

Featured in the booklet is an appraisal of the management job, synthesized from replies to a questionnaire sent to a representative group of managers.

In Charge of Program



I. O. Royse

The President's Scratch-Pad

(Continued from page 1)

doing" before he installs a new piece of equipment or a new process. If it is a cost-saving device that will more than pay for itself, he is for it; and if he can put it to work before other companies do, he considers himself that much better off. The longer other companies delay on the matter, the greater his advantage.

A similar attitude would be salutary in the personnel field. Moreover, it might be a good thing if that attitude operated also in reverse—if industrial relations men were willing to discard the things that have proved useless to their companies, even though those things may be "standard practice" in the area, the industry, or the entire economy.

Alvin E. Dodd

Personnel Conference Will Stress Need for Better Communication

Sessions to be Held in Boston October 7-9

Industry's most pressing industrial relations problem at the present time is the need for better communication between management and employees, an AMA survey conducted in preparation for the Fall Personnel Conference indicates. Accordingly, intensive attention will be devoted to this topic at the Conference, scheduled for October 7, 8, and 9 at the Hotel Statler in Boston, with particular emphasis on conveying information about the economic system and on helping foremen to answer workers' questions.

Discussions of collective bargaining, it is planned, will stress new issues likely to arise in union relations.

Other topics being considered for discussion include wage problems (incentives, annual wages, merit increases, cost-of-living clauses, etc.); employee security; foreman development; strengthening the line executives' ability to handle personnel relations, industrial psychology and psychiatry; and problems in company-wide administration of personnel policies.

Guy B. Arthur, Jr., Vice President and Director, The American Thread Company, and AMA Vice President for the Personnel Division is in charge of the program.

New Catalogue Issued

Enclosed with this number of *Management News* is a catalogue of recent AMA publications, covering the period from October, 1945, through July, 1946. With the 14-year *Management Index*, which it supplements, the catalogue provides an up-to-date listing of AMA literature.

Copies of the catalogue will be sent on request to non-members of the Association. Requests should specify the *1945-46 Catalogue of Publications*.

Individual members and non-members who do not have a copy of the 80-page *Management Index* may obtain one without charge on application to AMA headquarters.

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